



Federal Energy Regulatory Commission
July 20, 2006
Open Commission Meeting
Discussion Item E-5 & E-6

Good morning Mr. Chairman and Commissioners. My name is Bill Longenecker and I am with the Division of Reliability of the Office of Energy Markets and Reliability. Joining me at the table this morning are Christy Walsh of the Office of General Counsel and co-lead of the Electric Reliability Organization certification team, and Roger Morie of the Office of Enforcement.

Other certification team members include Jonathan First and Carol Johnson of the Office of General Counsel; Kumar Agarwal, David Miller, Cynthia Pointer, Mary Agnes Nimis and Keith O'Neal of the Office of Energy Markets and Reliability, and Michelle Veloso, Kristin McKeown and Mark Higgins of the Office of Enforcement. Joe McClelland, Director of the Division of Reliability, is the sponsor of this project.

Item E-5 before you is a draft order that would certify the North American Electric Reliability Corporation (or NERC) as the single Electric Reliability Organization, or ERO, for the United States. In accordance with Title XII of the Energy Policy Act of 2005, new section 215 of the Federal Power Act provides for a system of mandatory, enforceable Reliability Standards for the Nation's Bulk-Power System.

Pursuant to section 215 of the Federal Power Act, NERC, as the certified Electric Reliability Organization will be responsible for the development and enforcement of the mandatory electric reliability standards, subject to Commission oversight. Thus, the Commission's certification of NERC as the ERO is an important step toward ensuring more reliable electric service in the continental United States.

Because of the interconnected nature of the Bulk-Power System in North America, which extends into Canada and Mexico, NERC is concurrently taking steps to be recognized by the appropriate Canadian and Mexican authorities.

Under section 215 of the Federal Power Act, NERC may delegate its enforcement authority to regional organizations called Regional Entities pursuant to individually negotiated delegation agreements. These delegation agreements are to be based upon the pro forma delegation agreement submitted with NERC's ERO application. A delegation agreement is effective only if approved by the Commission. NERC expects to file for Commission approval delegation agreements executed with prospective Regional Entities later this year.

NERC has widespread support from the public commenters to be certified by the Commission as the ERO. Many of these commenters, however, also recommend a number of improvements. The draft order agrees with several of the recommendations and directs NERC, as the certified ERO, to submit a compliance filing that incorporates these improvements within 90 days.

Notable among the requirements for the compliance filing, NERC must specify more fully its enforcement process and provide for meeting Commission imposed deadlines with respect to modifying a proposed reliability standard or developing a new standard.



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In addition, the draft certification order directs NERC to make a number of changes to its pro forma delegation agreement. These changes should be included within the individual delegation agreements that NERC intends to negotiate with the prospective Regional Entities.

Finally, the draft certification order provides that when NERC submits its funding request, it should also include details for funding of Regional Advisory Bodies. As will be discussed in a moment by Carol Johnson in regard to item E-6, Regional Advisory Bodies may be established by the governors of neighboring states to advise the Regional Entities, the ERO and the Commission on reliability matters. Thank you.

Good morning Mr. Chairman and Commissioners. I am Carol Johnson from the Office of the General Counsel. With me at the table are Keith O'Neal and David Miller from the Reliability Division of the Office of Energy Markets and Reliability. Kumar Agarwal from the Reliability Division is also on the team.

E-6 is a draft order establishing the Western Interconnection Regional Advisory Body upon a petition by the governors of ten out of eleven states that have more than half of their electric load served within the Western Interconnection. EPAct 2005 directed the Commission to establish a regional advisory body on the petition of at least two-thirds of the States in a region that have more than one-half of their electric load served within that region. This petition meets that requirement. The bylaws of the Western Interconnection Regional Advisory Body provide that each of the seventeen states and provinces that have any portion of their load in the Western Interconnection be invited to appoint a member to serve on the Western Interconnection Regional Advisory Body.

The draft order recognizes that the statute permits a regional advisory body to provide advice to the Commission, the Electric Reliability Organization, or a Regional Entity regarding the governance of an existing or proposed Regional Entity within the same region, whether a proposed Reliability Standard to apply within the region or fees to be assessed within the region are just, reasonable, not unduly discriminatory or preferential, and in the public interest, and to perform any other responsibilities requested by the Commission. The draft order finds that the reasonable costs of providing such advice and assistance may be funded from the fees collected under section 215 of the Federal Power Act, and directs that regional advisory bodies submit their budget requests to the Electric Reliability Organization to be included as part of the overall Electric Reliability Organization budget.

We would be happy to respond to any questions that you might have. Thank you.